

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1846 - SB 1795

January 27, 2022

SUMMARY OF BILL: Increases the property value threshold for determining the extent of any property tax relief payments to disabled veterans and their surviving spouses from \$175,000 of the full market value of the property to \$250,000 of the full market value of the property.

FISCAL IMPACT:

Increase State Expenditures – Exceeds \$5,917,200/FY22-23 and Subsequent Years

Other Fiscal Impact – The extent of any mandatory impact on local government expenditures cannot reasonably be determined.*

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-5-704, there shall be paid from the state's General Fund to certain disabled veterans or their eligible surviving spouses the amount necessary to pay or reimburse such taxpayers for all or part of the local property taxes paid for a given tax year on a property that the disabled veteran owned and used as their residence.
- The proposed legislation takes effect upon becoming law; therefore, it is assumed the first tax year that will be impacted is 2022.
- Given that property tax notices will be sent to taxpayers in late 2022 and paid by February 2023 the first fiscal year impact will be FY22-23.
- Based on information provided by the Comptroller of the Treasury (COT),
 - The amount of actual property tax relief for disabled veteran and surviving spouse homeowners at the \$250,000 assessed property value limit would have been \$27,886,773 in 2020.
 - The calculated amount of actual property relief at the \$175,000 assessed property value limit was \$23,169,651 in 2020.
- Based on the recent growth rate in property tax relief payments to disabled veterans and their surviving spouses, the impact to this population has been projected forward to FY22-23 using an annual growth rate of 12 percent in order to determine the estimated increase in tax relief payments.
- Subsequent years would be expected to see similar growth percentages.

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- Projecting the estimated property tax relief from 2020 at each property valuation for this population forward to FY22-23 will result in \$29,064,010 of property tax relief at the \$175,000 limit and \$34,981,168 at the \$250,000 limit.
- The recurring increase in state expenditures for disabled veteran and surviving spouse homeowner's property tax relief from the General Fund is estimated to exceed \$5,917,158 (\$34,981,168 - \$29,064,010) beginning in FY22-23.
- Certain local governments have adopted various forms of local supplemental tax relief programs.
- An increase to the value limit for disabled veterans and surviving spouses could also result in a mandatory increase in local government expenditures for these programs; however, the timing and extent of any increase in expenditures will vary based on the approach and criteria for such programs.
- Any mandatory increase in local expenditures cannot reasonably be determined.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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